

# **SIERRA MADRE DEVELOPMENTS INC.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED MARCH 31, 2018**

In Canadian Dollars

## **INTRODUCTION**

This Management's Discussion and Analysis ("MD&A") of Sierra Madre Developments Inc.'s ("Sierra Madre", or the "Company") performance, financial condition, and future prospects has been prepared as of July 30, 2018. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto for the year ended March 31, 2018 and 2017 which have been prepared using International Financial Reporting Standards ("IFRS").

## **DESCRIPTION AND OVERVIEW OF BUSINESS**

Sierra Madre was incorporated under the *Business Corporations Act* (British Columbia) on April 30, 2009. The Company has one wholly owned subsidiary - Bear Mountain Gold Mines Ltd. ("Bear Mountain"), a British Columbia company.

Sierra Madre is a mineral exploration company focused on the acquisition and evaluation of precious metal mineral properties in Canada. Sierra Madre currently holds an option to acquire one property – the Harrison Gold Project located near Harrison, British Columbia.

On August 6, 2014 the BC Securities Commission issued a cease trade order ("**CTO**") against the Company as a result of the Company's failure to file its financial statements for the year ended March 31, 2014. That CTO remains in place as of the date of this MD&A. The Company's shares were traded on the TSX Venture Exchange ("TSX-V") under the symbol SMG from December 1, 2010 to August 7, 2014, but trading was suspended due to the CTO (and such trading suspension remains in place as of the date of this MD&A).

Sierra Madre has no producing operations and as a consequence, the Company does not generate any operating income or positive cash flow. Its ability to continue exploration of the Harrison Gold Project is entirely dependent upon the Company's ability to access public equity markets to raise sufficient capital and/or its ability to attract joint venture partners to finance further work on its properties. The Company will also need to raise further capital for general and administrative purposes. However, with the CTO in place, there is no opportunity to raise any capital.

## **EXPLORATION AND EVALUATION EXPENDITURES**

### **Harrison Gold Property**

Sierra Madre's primary focus is the Harrison Gold Project located in south-western British Columbia (the "Property"). The Company has an option to acquire a 100% interest in the Property from Omineca Mining and Metals Ltd. ("Omineca").

#### *Omineca Option Agreement*

On November 17, 2011 the Company signed an Option to Purchase Agreement with Omineca (the "Option Agreement") whereby Sierra Madre can acquire a 100% interest in the 2,427 ha Property. To exercise the option, the Company agreed to, on or before the fifth anniversary of TSXV approval, (a) to pay to Omineca an aggregate \$1,000,000; (b) to deliver an aggregate of 4,000,000 common shares of Sierra Madre; and (c) to incur an aggregate of at least \$3,000,000 of expenditures on the Property.

#### *First Amending Agreement*

On December 27, 2012 the Company consolidated its share capital on a one new for three old share basis which reduced the share consideration payable to Omineca. On December 5, 2013 the Company and Omineca amended the Option Agreement to include a provision whereby the number of shares payable to Omineca would remain unaltered in the event of future share consolidations. In consideration

**SIERRA MADRE DEVELOPMENTS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended March 31, 2018**

of the amendment, Omineca agreed to defer all payments, share issuances and expenditures due for one year.

*Second Amending Agreement*

On May 21, 2015, the Company and Omineca further amended the Option Agreement by (i) extending the share payment and expenditure due dates for a period of one year, (ii) reducing the total expenditures requirements to \$2,000,000; and (iii) amending the terms of the cash payments such that \$400,000 may be made in shares of the Company and the balance of \$500,000 to be paid in instalments by way of an Advanced Preferred Royalty. In consideration, the Company agreed to issue an additional 1,500,000 shares.

*Third Amending Agreement*

On February 20, 2017, the Company and Omineca further amended the Option Agreement by adding Bear Mountain Gold Mines Ltd. ("Bear Mountain", the Company's wholly owned subsidiary) to the agreement as a third party and amending the option payments schedule. This amendment also included a provision whereby Bear Mountain could assume responsibility for the cash and share consideration payable to Omineca and assume responsibility for the exploration expenditures. As consideration, Sierra Madre agreed to issue an additional 500,000 shares to Omineca, and Bear Mountain agreed to incur a minimum of \$50,000 in exploration expenditures on the Property on or before December 31, 2017.

Payments, share issuances and expenditures are now due as follows:

Cash Payments	Share Payments	Exploration Expenditures	Due Dates
\$		\$	
25,000	-	-	On execution date (paid)
25,000	66,667	-	December 5, 2011 (paid and issued)
50,000	100,000	-	December 5, 2012 (paid and issued)
-	-	50,000	December 31, 2017 (incurred)
-	666,666	100,000	December 31, 2018
-	500,000	100,000	December 31, 2019
400,000	2,000,000	1,750,000	December 31, 2020
500,000	-	-	Preferred Advance Royalty payments
<u>1,000,000</u>	<u>3,333,333</u>	<u>2,000,000</u>	

As of the date of the Company's last audited financial statements (March 31, 2013) the Company had incurred exploration expenditures of \$358,471 on the Property.

As at March 31, 2018 the Company had incurred a total of \$710,250 (\$586,474 as of March 31, 2017) in exploration expenditures on the Property.

**Bear Mountain Gold Mines Ltd. Mineral Tenures**

Based on management's assessment of the Harrison Gold Project a decision was made to acquire additional mineral tenures to the south of the mineral tenures owned by Omineca (referred to as the Harrison South Tenures) and to acquire additional mineral tenures to the north and east of the mineral tenures owned by Omineca (referred to as the Harrison Development Operations Tenures).

**SIERRA MADRE DEVELOPMENTS INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2018**

Sierra Madre incorporated Bear Mountain Gold Mines Ltd. to hold title to all mineral tenures acquired on behalf of the Company within the Area of Mutual Interest defined in the agreement.

The Harrison Development Operations tenures are as follows:

Title Number	Owner	Title Type	Title Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
951229	276870 (100%)	Mineral	Claim	092H	2012/FEB/20	2019/DEC/30	GOOD	84.1936
1013819	276870 (100%)	Mineral	Claim	092H	2012/OCT/17	2019/DEC/30	GOOD	315.6077
1013821	276870 (100%)	Mineral	Claim	092H	2012/OCT/17	2019/DEC/30	GOOD	610.4242
1016752	276870 (100%)	Mineral	Claim	092H	2013/FEB/07	2019/DEC/30	GOOD	63.1753
1016754	276870 (100%)	Mineral	Claim	092H	2013/FEB/07	2019/DEC/30	GOOD	21.0624
1017121	276870 (100%)	Mineral	Claim	092H	2013/FEB/22	2019/DEC/30	GOOD	231.5103
1017622	276870 (100%)	Mineral	Claim	092H	2013/MAR/07	2019/DEC/30	GOOD	189.4648
1018277	276870 (100%)	Mineral	Claim	092H	2013/APR/04	2019/DEC/30	GOOD	147.3253
1019719	276870 (100%)	Mineral	Claim	092H	2013/MAY/22	2019/DEC/30	GOOD	21.0623
1027708	276870 (100%)	Mineral	Claim	092H	2014/APR/20	2019/DEC/30	GOOD	84.1465
1035351	276870 (100%)	Mineral	Claim	092H	2015/APR/07	2019/DEC/30	GOOD	105.2981
1047317	276870 (100%)	Mineral	Claim	092H	2016/OCT/18	2019/DEC/30	GOOD	63.1398
								<u>1936.4103</u>

The Harrison South Mineral tenures are as follows:

Title Number	Owner	Title Type	Title Sub Type	Map Number	Issue Date	Good To Date	Status	Area (ha)
834382	276870 (100%)	Mineral	Claim	092H	2010/SEP/27	2021/DEC/30	GOOD	210.6509
951791	276870 (100%)	Mineral	Claim	092H	2012/FEB/21	2021/DEC/30	GOOD	358.1523
983427	276870 (100%)	Mineral	Claim	092H	2012/MAY/02	2021/DEC/30	GOOD	21.0715
993682	276870 (100%)	Mineral	Claim	092H	2012/JUN/04	2021/DEC/30	GOOD	21.0738
1012805	276870 (100%)	Mineral	Claim	092H	2012/SEP/12	2021/DEC/30	GOOD	105.3589
								<u>716.3074</u>

The Harrison South Tenures and the Development Operations Tenures are within the Area of Mutual Interest defined in the Option Agreement and therefore form part of the Harrison Gold Property. In the event that Sierra Madre and Bear Mountain do not meet the terms of the Option Agreement, ownership of the Harrison South Tenures and the Harrison Development Operations Tenures will be transferred to Omineca.

#### Project Summary

The Harrison Gold Property claims cover several intrusion related gold occurrences that have been intermittently explored by various operators since the early 1970's. Approximately \$4.0 - \$7.0 million was expended by Abo Resources, Kerr Addison Mines Ltd., Bema International Resources Ltd. and Northern Continental Resources over the last 35 years.

Exploration work since 1970 has included a total of 19,490m (64,000') of diamond drilling in 161 drill holes and small-scale underground development work. Most of the historic work was focused on the northern part of the Property in the area of the Jenner and Portal Zones. Drill results reported from the Portal Zone include 30 meters averaging 3.17 grams per tonne gold (EMPR ASS RPT 19584). Drill results reported

**SIERRA MADRE DEVELOPMENTS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended March 31, 2018**

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from the Jenner Zone include 64m averaging 3.77 g/t (EMPR ASS RPT 20144). In addition to the Jenner and Portal Zones the Property hosts numerous additional target areas located within a plateau area referred to as Bear Mountain. Other gold-bearing zones identified by previous operators on the Property include the Hill and Lake Stock Zones. These areas have seen limited exploration in comparison to the Jenner and Portal Zones.

Since acquiring an option on the Property, the Company (operating through Bear Mountain) completed extensive repairs to the core storage area and the existing underground workings, completed orientation soil surveys over several known mineralized zones, staked several mineral claims adjoining the Harrison Gold Project and completed extensive soil geochemical surveys of the central and southern part of the plateau area on Bear Mountain. The objectives of the soil surveys were to determine the trace element signature of known mineralized zones (an extensive previous soil survey by Kerr Addison Mines (ARIS 15904) only reported gold values) and to define exploration target areas which may represent additional mineralized zones in the central and southern extension of the Bear Mountain plateau area.

Since 2014 the Company has focused on evaluating potential development options for the project that would minimize the impact on local communities. On January 30, 2016 the Company submitted an application to the Ministry of Mines for an amended exploration permit that would allow the Company to complete a verification drilling program to confirm the historic results reported by previous operators and re-open existing underground workings and extract a mini bulk sample for metallurgical and environmental test work.

Total exploration expenditures incurred directly by the Company and Bear Mountain for the fiscal year ended 2018 were \$nil (2017 - \$2,500).

The following table summarizes the project exploration expenditures and acquisition costs of the Harrison Gold Project as at March 31, 2018.

**SIERRA MADRE DEVELOPMENTS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended March 31, 2018**

	Year end						
	March 31, 2012	March 31, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018 *
<b>Acquisition costs</b>							
Balance, beginning of yer	-	74,000	130,000	130,000	130,000	130,000	130,000
Additions	74,000	56,000	-	-	-	-	-
Balance, end of year	74,000	130,000	130,000	130,000	130,000	130,000	130,000
<b>Exploration expenses</b>							
Balance, beginning of period	-	106,449	358,471	533,955	557,485	583,974	586,474
Assaying	-	27,528	24,719	-	-	2,500	22,269
Equipment rental	2,800	2,090	23,610	4,500	4,500	-	2,508
Field office	-	-	3,775	-	-	-	-
Geological fieldwork	94,800	194,831	68,236	8,167	20,489	-	32,703
Engineering	-	-	-	10,863	-	-	-
Materials and supplies	4,349	5,491	3,677	-	-	-	29,479
Metallurgical Testing	-	-	-	-	1,500	-	-
Other costs	-	9,570	-	-	-	-	5,170
Project management	4,500	-	-	-	-	-	-
Reports, drafting and maps	-	10,773	51,467	-	-	-	31,647
Travel	-	1,739	-	-	-	-	-
Total for the period	106,449	252,022	175,484	23,530	26,489	2,500	123,776
Project to date exploration expenses	106,449	358,471	533,955	557,485	583,974	586,474	710,250
Total spending project to date	180,449	488,471	663,955	687,485	713,974	716,474	840,250
* all 2018 expenditures were incurred by Haro Metals Corp. as part of the JV agreement							

**Selected Annual Information**

	Years ended March 31,		
	2018 audited	2017 audited	2016 unaudited
	\$	\$	\$
Total revenues	-	-	-
Loss for the year	(59,672)	(74,678)	(88,407)
Basic and diluted loss per share	\$0.00	\$0.00	\$0.00
Total assets	45,684	53,680	127,958
Total long term liabilities	-	-	-
Cash dividends declared per share	\$0.00	\$0.00	\$0.00

**RESULTS OF OPERATIONS – QUARTER**

The Company posted a \$23,618 loss for the three months ended March 31, 2018. The main components of this were professional fees of \$11,600 (2017-\$nil), management fees of \$9,000 (2017-\$9,000) and rent of \$3,000 (2017-\$3,000).

**SIERRA MADRE DEVELOPMENTS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended March 31, 2018**

**SUMMARY OF FINANCIAL RESULTS OF OPERATIONS – YEAR ENDED MARCH 31, 2018**

The Company posted a \$59,672 loss for fiscal 2018 as compared to a loss of \$74,678 in fiscal 2017. The main components of this were management fees of \$36,000 (2017-\$39,000), rent costs of \$12,000 (2017-\$12,000), professional fees of \$11,600 (2017-\$7,000), exploration and evaluation expenditures of \$nil (2017-\$2,500). The main reasons for the decreased loss in fiscal 2018 were (i) reduction of insurance costs (\$nil in 2018; \$5,310 in 2017), and (ii) reduction of regulatory fees (\$nil in 2018; \$8,766 in 2017).

The following is a summary of the Company's results for the eight most recently completed quarters:

	Years ended December 31							
	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Financial Results</b>								
Net income / (loss) for period	(23,618)	(12,018)	(12,018)	(12,018)	(12,018)	(29,913)	(12,022)	(20,725)
Per share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Balance Sheet Data</b>								
Cash and cash equivalents	19,771	30,289	30,307	30,325	30,343	30,361	58,399	108,420
Total assets	45,684	55,810	55,228	54,646	53,680	45,744	70,795	113,803
Shareholder's equity	(762,326)	(738,707)	(726,689)	(714,671)	(702,654)	(690,252)	(660,339)	(648,317)

**LIQUIDITY AND CAPITAL RESOURCES**

Sierra Madre has no operations that generate cash flows and the Company's future financial success will depend on the discovery of one or more economic mineral deposits. This process can take years, can consume significant resources and is largely based on factors that are beyond the control of the Company's management.

For the foreseeable future, and provided the Company is successful in having the CTO rescinded, the Company will continue to rely upon its ability to raise financing through the sale of equity. This will be dependent on positive investor sentiment, which in turn will be influenced by a positive climate for precious metal exploration generally, a company's track record and the experience and calibre of a company's management, as well as global economic outlook.

There is no assurance that the Company will be able to access equity funding at the times and in the amounts required to meet the Company's obligations and fund activities. The outlook for the world economy remains uncertain and vulnerable to various shocks that could adversely affect the Company's ability to raise additional funding going forward.

At March 31, 2018 the Company had a working capital deficit of \$762,326 (2017-deficit of \$702,654).

The Company has no loans or bank debt and there are no restrictions on the use of its cash resources. The Company has not paid any dividends and management does not expect this will change in the foreseeable future.

**OUTSTANDING SHARE DATA**

**Authorized Share capital:** unlimited common shares without par value

**SHARE DATA AT THE REPORT DATE**

Issued and outstanding shares 53,980,827

**SIERRA MADRE DEVELOPMENTS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended March 31, 2018**

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**RELATED PARTY TRANSACTIONS**

The Company incurred the following transactions with the President/CEO, CFO and companies controlled by the President/CEO and a director of the Company:

Year ended March 31,	2018	2017
	\$	\$
Management fees	36,000	39,000
Rent	12,000	12,000
	48,000	51,000

None of the above amounts were paid by the Company. At March 31, 2018, the Company owed \$754,178 (2017 - \$706,254) in respect of services and payments made on behalf of the Company.

March 31,	2018	2017
	\$	\$
Amounts owed to a company controlled by the CEO	725,850	671,926
Amounts owed to a company controlled by a director	28,328	28,328
Amounts owed to the CFO	-	6,000
	754,178	706,254

These amounts are unsecured, non-interest-bearing and have no specific terms of repayment.

These transactions occurred in the normal course of business and were measured at the exchange amount, which was the amount of consideration agreed upon between the related parties.

**COMMITMENTS**

Other than the proposed acquisition of the Harrison Gold Properties the Company has not entered into any material contractual commitments as at the Report Date.

**RECENT EVENTS AND OUTLOOK**

Pursuant to an option agreement dated November 30, 2017 Bear Mountain granted an option to Haro Metals Corp. ("Haro") whereby Haro could earn a 60% interest in the Harrison South Mineral Tenures. Haro can acquire its interest by incurring \$500,000 in exploration expenditures and paying \$100,000 in cash or shares (at Haro's election) on or before December 30, 2020. According to Haro's financial statements for the period ended March 31, 2018 Haro incurred exploration expenditures of \$123,776 during December 2017.

The Company is continuing to work with the Ministry of Mines to secure the permits required to carry out the proposed verification drilling and mini bulk sampling program outlined in the project summary.

The Company intends to make application to the BC Securities Commission for revocation of the CTO in July of 2018.

**FINANCIAL AND OTHER INSTRUMENTS**

As at March 31, 2018, the Company's financial instruments consisted of cash and cash equivalents, accounts payable, accrued liabilities and due to related parties. The fair values of accounts payable,

accrued liabilities and due to related parties approximate their carrying values because of the short-term nature of these instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments.

## **RISKS AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business.

Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The Company is subject to the CTO, and there is no assurance the same will be rescinded.
- c) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which may become available to the Company is the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development.
- d) The Company is very reliant upon its existing management and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.
- e) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- f) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- g) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

All disclosure of scientific or technical information pertaining to the Property contained herein has been reviewed and approved by Carl von Einsiedel, a qualified person as defined in NI 43-101 – *Standards of Disclosure for Mineral Projects*.

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "if", "expects", "estimates", "may", "could", "should", "will", "intends" and similar expressions. Since forward-looking statements are

**SIERRA MADRE DEVELOPMENTS INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the year ended March 31, 2018**

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based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Although the Company believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning the Company's expectations for: exploration results on the Company's exploration properties; capital costs anticipated on the Company's exploration properties; the Company's current financial resources being sufficient to fund operations; and the Company's ability to obtain additional funds through the sale of equity and/or the optioning of its mineral property interests via option or joint venture agreements.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors including: changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and other matters discussed in this MD&A.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities law.